



THOMAS L. GARTHWAITE, M.D.
Director and Chief Medical Officer

FRED LEAF
Chief Operating Officer

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
313 N. Figueroa, Los Angeles, CA 90012
(213) 240-8101

BOARD OF SUPERVISORS

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August 5, 2004

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF TWO NEW MEDI-CAL RESOURCE DEVELOPMENT
AND RECOVERY SERVICES AGREEMENTS**
(All Districts) (3 Votes)

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and instruct the Director of Health Services, or his designee, to offer and sign a form agreement, substantially similar to Exhibit I, with two contract providers, CompSpec, Inc., and Health Advocates, LLP, to provide Medi-Cal Resource Development and Recovery Services for Department of Health Services medical centers/hospitals, health centers, and comprehensive health centers, effective on the date of Board approval through August 31, 2005, with four one-year automatic renewals through August 31, 2009, under which \$14 million is expected to be generated in additional gross revenues annually, of which \$2 million is estimated to be paid to the contract providers in contingency fees.

PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTION:

In approving the recommended action, the Board is authorizing the Director of Health Services, or his designee, to sign agreements to allow two newly selected Medi-Cal Resource Development and Recovery Services (MRDRS) contractors, CompSpec, Inc., (CompSpec) and Health Advocates, LLC, (HA) to provide DHS health facilities with an additional "safety net" resource. Once a DHS facility has exhausted its best efforts in assisting indigent patients in identifying any third-party financial resources, e.g., Medi-Cal, Medicare, Commercial Insurance, Worker's Compensation, etc., the contractors have the opportunity to identify resources and assist in obtaining patient eligibility for third party coverage, supplementing DHS's efforts.

FISCAL IMPACT/FINANCING:

The two MRDRS contractors, CompSpec and HA, are expected to generate \$14 million in additional gross revenues annually, of which approximately \$2 million is estimated to be paid to the contractors in contingency fees. This amount of annual revenue and contingency fees is based on

previous Fiscal Year (FY) 2003-04 collections and CompSpec and HA having agreed to receive contingency fees of \$188 for each paid inpatient Medi-Cal contract day received by County and 19% of all other third party collections.

MRDRS revenue for previous fiscal years has been consistent, and as such, is included in DHS' FY 2004-05 revenue forecast.

Funding for CompSpec's and HA's contingency fees has been appropriated in the FY 2004-05 Adopted Budget and will be requested as a continuing appropriation in future fiscal years.

Without the services provided by MRDRS contractors, approximately \$14 million in additional gross revenues annually could go unrecovered.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

On June 17, 1997, both CompSpec and HA were awarded MRDRS agreements with the County and they are the current providers of MRDRS. MRDRS agreements for CompSpec and HA have expired as of June 30, 2004. Although a gap will exist from June 30, 2004 to the time the Board approves the awarding of new MRDRS agreements to CompSpec and HA, the patient accounts which would have been referred to the MRDRS contractors have been held for future processing, resulting in no lost revenues.

DHS health facilities that receive MRDRS under the new agreements with CompSpec and HA will include: DHS medical centers/hospitals, health centers, and comprehensive health centers. Initial assignment of facilities to CompSpec and HA will be determined by DHS. However, the agreements will enable the DHS to assign and/or reassign one or more DHS health facility to CompSpec and/or HA, at the Director's discretion maximizing County's net benefit.

This Agreement will add a provision to allow for payment(s), after expiration or termination of Agreement, for completed services on accounts which were referred to Contractor prior to expiration or termination of Agreement.

Attachment A provides additional information.

County Counsel has approved the Agreement (Exhibit I) as to form.

CONTRACT PROCESS:

On April 12, 2004, after having posted the release of a Request for Proposals (RFP) competitive selection document on the County's L.A. County Online Web Site, DHS released a RFP seeking proposal responses from qualified proposers to provide MRDRS.

The Honorable Board of Supervisors
August 5, 2004
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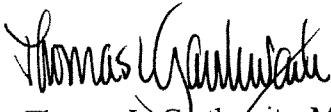
On May 17, 2004, DHS received RFP proposal responses from four MRDRS providers: Argent Healthcare Financial Services, CompSpec, Gardner & Associates, LLC, and HA. The DHS Evaluation Committee assigned to evaluate RFP MRDRS proposal responses recently completed the scoring of these four responses, and two proposals are being recommended to your Board for contract award. They are CompSpec and HA. Argent Healthcare Financial Services and Gardner & Associates, LLC, requested, and were allowed to review, their individual proposal scores. After their review, both proposers individually informed DHS that they will not protest the contract award recommendations made by the DHS Evaluation Committee.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

Approval of this action will ensure the continued and uninterrupted provision of MRDRS, and will enable DHS to receive additional revenue for the term of the agreement(s).

When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted,



Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

TLG:gi

Attachments (2)

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors

BLETCMDRDRS.GI
07/27/04

SUMMARY OF AGREEMENT

1. **TYPE OF SERVICE:**

The revenue program provides DHS health facilities with an additional "safety net" resource. Once a DHS facility has exhausted its best efforts in assisting indigent patients in identifying any third-party financial resources, e.g., Medi-Cal, Medicare, Commercial Insurance, Worker's Compensation, etc., the contractors have the opportunity to identify resources and assist in obtaining patient eligibility for third party coverage, supplementing DHS' efforts.

2. **CONTRACTOR ADDRESS AND CONTACT PERSON:**

CompSpec, Inc.
425 East Colorado Street, Suite 410
Glendale, California 91205
Attention: Mr. Nabil (Bill) Haddad
President/Chief Executive Officer
Telephone/Facsimile (FAX) Number: (800) 543-3003/(818) 548-0696
Electronic Mail (e-mail) Address: bhaddad@compspecinc.com

Health Advocates, LLP
13412 Ventura Boulevard, Suite 300
Sherman Oaks, California 91423-3965
Attention: Mr. Aaron (Al) J. Leibovic
Managing Partner/Attorney
Telephone/Facsimile Number: (800) 435-3457/(818) 995-9599
Electronic Mail (e-mail) Address: al@healthadvocates.com

3. **TERM:**

Effective on the date of Board approval through August 31, 2005, with four one-year automatic renewals through August 31, 2009.

4. **FINANCIAL INFORMATION:**

The two MRDRS contractors, CompSpec and HA, are expected to generate \$14 million in additional gross revenues annually, of which approximately \$2 million in annual contingency fees will be paid to the contractors. This amount of annual revenue and contingency fees is based on previous FY 2003-04 collections and CompSpec and HA having agreed to receive contingency fees of \$188 for each paid inpatient Medi-Cal contract day received by County and 19% for all other third party collections. MRDRS revenue for previous fiscal years has been consistent, and as such, is included in DHS' FY 2004-05 revenue forecast.

Funding for CompSpec's and HA's contingency fees has been appropriated in the FY 2004-05 Adopted Budget and will be requested as a continuing appropriation in future FYs.

5. **GEOGRAPHIC AREA:**

All Supervisorial Districts

6. MONITORING:

Patricia Adams, Division Head, Revenue Management.

7. APPROVALS

Executive Office: Fred Leaf, Chief Operating Officer

Revenue Services: Lawrence Gatton, Chief

Office of the Director of Finance: Gary W. Wells, Director

Contracts and Grants Division: Irene E. Riley, Director, Contract Administration

County Counsel (approval as to form): Robert E. Ragland, Deputy County Counsel